



CAPITOL UPDATE

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Workers' Compensation Fraud Bill Would Enable District Attorneys to Aggressively Prosecute Offenders

"Since district attorneys are the ones tasked with prosecuting workers' compensation fraud, they should be empowered with the resources they need to do their job and clamp down on offenders. By allocating fraud enforcement funding to locally-elected district attorneys, this bill will enhance local accountability and increase efficiency."
- Senator Chuck Poochigian

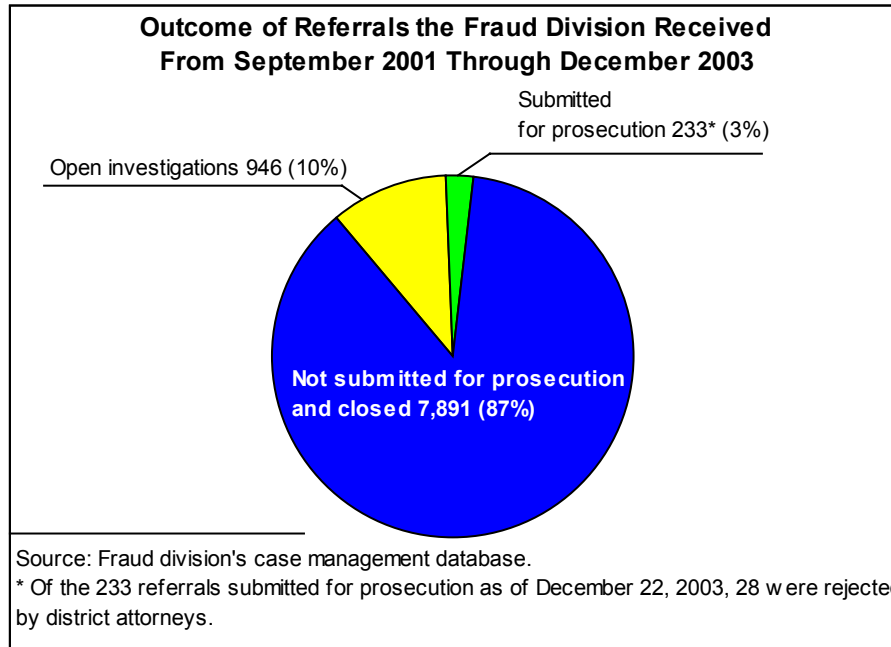
State Senator Chuck Poochigian (R-Fresno) introduced a bill today designed to streamline workers' compensation fraud enforcement by enhancing district attorneys' tools to aggressively prosecute fraud and abuse. [SB X4 18](#) would redesign the state's current system by shifting the Department of Insurance's (DOI) workers' compensation investigations and the associated resources to local district attorneys, requiring DOI to establish clear, consistent and equitable funding and operating criteria, and strengthening the DOI's data collection and analysis capabilities.

Senator Poochigian authored SB 899 earlier this year, which should help to significantly reduce fraud and abuse by increasing objectivity, inserting nationally recognized medical guidelines into the system, streamlining the process, and overhauling how permanent disability is calculated. However, a recent [report from the California State Auditor](#) clearly suggests that additional legislative action is needed to streamline workers' compensation fraud enforcement and to aggressively prosecute fraud and abuse that is so prevalent in the system.

California employers are assessed roughly \$30 million annually that is earmarked to fight fraud in the workers' compensation system, but the [audit](#) shows that much of this money is being used inefficiently and getting tied up in bureaucracy. Currently, up to 60 percent of fraud enforcement funding goes to the DOI which performs investigations on cases before referring them to local district attorneys. The remaining 40 percent of fraud funds are distributed to local district attorneys, who often must perform their own investigations on any referrals from the state and determine whether to prosecute. [View the Fraud Division's Current Basic Steps in the Investigation Process](#) (Page 33)

The state auditor's report on workers' compensation fraud enforcement specifically finds:

- *The fraud division spends a significant portion of its workers' compensation antifraud resources investigating suspected fraud referrals that do not result in criminal prosecutions by county district attorneys. (See graph below)*
- *Shortcomings also exist in the process used to distribute fraud assessment funds to county district attorneys in a way that maximizes their effectiveness in fighting fraud.*
- *Neither the fraud commission nor the insurance commissioner has acted to ensure that the assessments employers pay are necessary or are put to the best use for reducing the overall cost that fraud adds to the workers' compensation system.*



These flaws, along with the numerous other operational, investigative, and oversight related problems detailed in the Audit Report, have hindered California's ability to fight workers' compensation fraud. [SB X4 18](#) will help to alleviate many of these problems in the current system by directing 90 percent of fraud funds to the local district attorneys who would ultimately be tasked with prosecuting cases. The remaining 10 percent would be used by the fraud commission and the DOI to collect, analyze and disseminate workers' comp fraud statistics, to enhance inter-department and inter-agency collaboration, to manage the district attorney grant program, and to cover administrative costs.

"Giving district attorneys the tools they need to prioritize cases and aggressively prosecute fraud and abuse should lead to more convictions and act as a strong deterrent to those who might game the system," said Senator Poochigian. "Establishing consistent criteria for distributing fraud-fighting funds, and tracking how it is spent will increase accountability, and ensure that the multimillion-dollar fraud assessments employers pay are being used to aggressively prosecute those breaking the law."

- Senator Chuck Poochigian

CONTACT INFORMATION

Senator Poochigian's website can be found by visiting: <http://republican.sen.ca.gov/web/14>.

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